

**ARAB BANK GROUP**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
FOR THE SIX MONTHS PERIOD ENDED  
JUNE 30, 2012  
TOGETHER WITH REVIEW REPORT ON  
INTERIM FINANCIAL INFORMATION**

ARAB BANK GROUP

JUNE 30, 2012

**Page**

**CONTENTS**

Review Report on Interim Financial Information	1
Condensed Consolidated Interim Statement of Financial Position	2
Condensed Consolidated Interim Statement of Income	3
Condensed Consolidated Interim Statement of Comprehensive Income	4
Condensed Consolidated Interim Statement of Changes in Owners' Equity	5
Condensed Consolidated Interim Statement of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Information	7 - 27

## Review Report on Interim Financial Information

AM/ 218

To the Chairman and Members of the Board of Directors  
Arab Bank  
Amman – Jordan

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arab Bank Group as of June 30, 2012, and the related condensed consolidated interim statements of income, comprehensive income, changes in owners' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard IAS (34) relating to Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of Review**

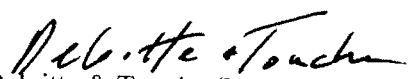
We conducted our review in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the consolidated financial position of Arab Bank Group as of June 30, 2012 and its condensed consolidated interim financial performance and cash flows for the six-month period then ended in accordance with International Accounting Standard (34) relating to interim financial reporting.

The fiscal year of the Group ends on December 31 of each year. However, the accompanying condensed consolidated interim financial information have been prepared for the purposes of the Jordanian Securities Exchange Commission and the Central Bank of Jordan.

Amman – Jordan  
July 26, 2012

  
Deloitte & Touche (M.E.) - Jordan

**Deloitte & Touche (M.E.)**  
**Public Accountants**  
**Amman - Jordan**

**ARAB BANK GROUP**  
**CONDENSED CONSOLIDATED INTERIM**  
**STATEMENT OF FINANCIAL POSITION**

	Note	(Reviewed not Audited)	December 31,
		June 30, 2012	2011
		USD '000	USD '000
<b>ASSETS</b>			
Cash and balances with central banks	4	7 556 858	7 787 678
Balances with banks and financial institutions	5	5 203 431	4 084 882
Deposits with banks and financial institutions	6	219 362	175 793
Financial assets at fair value through profit or loss	7	863 244	952 545
Financial derivatives - positive fair value		44 753	53 261
Direct credit facilities at amortized cost	8	20 467 096	20 954 633
Financial assets at fair value through other comprehensive income		603 660	641 581
Other financial assets at amortized cost	9	7 137 714	7 535 368
Investment in associates		2 288 936	2 244 764
Fixed assets	10	525 548	530 635
Other assets	11	670 401	613 684
Deferred tax assets		40 694	38 387
<b>Total Assets</b>		<b>45 621 697</b>	<b>45 613 211</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
Banks and financial institutions' deposits		4 109 526	4 323 310
Customer deposits	12	28 708 962	28 744 612
Cash margin		3 347 256	2 975 389
Financial derivatives - negative fair value		76 476	64 920
Borrowed funds	13	741 676	810 412
Provision for income tax	14	181 202	197 905
Other provisions		144 722	131 370
Other liabilities	15	635 332	693 446
Deferred tax liabilities		9 554	15 099
<b>Total Liabilities</b>		<b>37 954 706</b>	<b>37 956 463</b>
Share capital	16	776 027	776 027
Share premium	16	1 225 747	1 225 747
Statutory reserve	16	529 652	529 652
Voluntary reserve	16	977 315	977 315
General reserve		1 822 824	1 822 824
General banking risks reserve		363 458	363 458
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		29 733	120 182
Investment revaluation reserve		( 74 664)	( 39 002)
Retained earnings	17	315 614	165 330
<b>Total Equity Attributable to Shareholders of the Bank</b>		<b>7 506 602</b>	<b>7 482 429</b>
Non-controlling interests		160 389	174 319
<b>Total Owners' Equity</b>		<b>7 666 991</b>	<b>7 656 748</b>
<b>Total Liabilities and Owners' Equity</b>		<b>45 621 697</b>	<b>45 613 211</b>

**Chairman of the Board of Directors**

The accompanying notes from (1) to (29) are an integral part of these condensed consolidated interim financial information and should be read with them and with the accompanying review report

**ARAB BANK GROUP**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**(REVIEWED NOT AUDITED)**

	Note	For the Six Months Period Ended June 30,		For the Three Months Period Ended June 30,	
		2012 USD '000	2011 USD '000	2012 USD '000	2011 USD '000
<b>REVENUE</b>					
Interest income					
Less: interest expense	18	867 805	804 109	431 884	405 846
	19	373 628	321 560	186 520	159 280
<b>Net Interest Income</b>		<b>494 177</b>	<b>482 549</b>	<b>245 364</b>	<b>246 566</b>
Net commission income		149 143	151 545	72 800	76 082
<b>Net Interest and Commission Income</b>		<b>643 320</b>	<b>634 094</b>	<b>318 164</b>	<b>322 648</b>
Foreign exchange differences		40 323	33 833	23 101	15 353
Gain (loss) from financial assets at fair value through profit or loss	20	17 040	9 175	(4 962)	1 546
Dividends on financial assets at fair value through other comprehensive income		8 076	4 480	3 620	4 045
Group's share of profits of associates		171 983	155 506	90 817	84 002
Other revenue		18 172	20 115	8 511	6 045
<b>Total Income</b>		<b>898 914</b>	<b>857 203</b>	<b>439 251</b>	<b>433 639</b>
<b>EXPENSES</b>					
Employees' expenses		200 151	196 507	97 149	100 656
Other expenses		125 626	122 277	61 412	64 446
Depreciation and amortization		25 118	24 349	12 388	12 434
Provision for impairment - direct credit facilities at amortized cost	8	60 577	104 417	41 021	68 686
Other provisions		6 106	8 939	2 383	5 056
<b>Total Expenses</b>		<b>417 578</b>	<b>456 489</b>	<b>214 353</b>	<b>251 278</b>
<b>Profit for the Period before Tax</b>		<b>481 336</b>	<b>400 714</b>	<b>224 898</b>	<b>182 361</b>
Less: Income tax expense	14	121 082	73 480	69 092	40 982
<b>Profit for the Period</b>		<b>360 254</b>	<b>327 234</b>	<b>155 806</b>	<b>141 379</b>
<u>Attributable to :</u>					
- Bank Shareholders		353 540	319 482	151 871	137 789
- Non-controlling interests		6 714	7 752	3 935	3 590
<b>Total</b>		<b>360 254</b>	<b>327 234</b>	<b>155 806</b>	<b>141 379</b>
Earnings per share attributable to Shareholders of the Bank					
- <b>Basic and Diluted (US Dollars)</b>					
		<b>0.66</b>	<b>0.60</b>		

**Chairman of the Board of Directors**

The accompanying notes from (1) to (29) are an integral part of these condensed consolidated interim financial information and should be read with them and with the accompanying review report

**ARAB BANK GROUP**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

**(REVIEWED NOT AUDITED)**

	For the Six Months Period Ended June 30,		For the Three Months Period Ended June 30,	
	2012	2011	2012	2011
	USD '000	USD '000	USD '000	USD '000
<b>Profit for the period</b>	<b>360 254</b>	<b>327 234</b>	<b>155 806</b>	<b>141 379</b>
<u>Add: Other comprehensive income items - after tax</u>				
Exchange differences arising on the translation of foreign operations	( 100 831)	115 668	( 139 639)	89 093
Net change in fair value of financial assets at fair value through other comprehensive income	<u>( 35 790)</u>	<u>( 12 777)</u>	<u>( 31 351)</u>	<u>20 799</u>
<b>Total Other Comprehensive Income Items - after Tax</b>	<b><u>( 136 621)</u></b>	<b><u>102 891</u></b>	<b><u>( 170 990)</u></b>	<b><u>109 892</u></b>
<b>Total Comprehensive Income for the Period</b>	<b><u><u>223 633</u></u></b>	<b><u><u>430 125</u></u></b>	<b><u><u>( 15 184)</u></u></b>	<b><u><u>251 271</u></u></b>
Attributable to :				
- Bank's Shareholders	227 426	419 673	( 13 403)	246 515
- Non-controlling interests	<u>( 3 793)</u>	<u>10 452</u>	<u>( 1 781)</u>	<u>4 756</u>
<b>Total</b>	<b><u><u>223 633</u></u></b>	<b><u><u>430 125</u></u></b>	<b><u><u>( 15 184)</u></u></b>	<b><u><u>251 271</u></u></b>

The accompanying notes from (1) to (29) are an integral part of these condensed consolidated interim financial information and should be read with them and with the accompanying review report

ARAB BANK GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

(REVIEWED, NOT AUDITED)

	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risks Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investment revaluation reserve	Retained Earnings	Total Equity Attributable to Shareholders of the Bank	Non-controlling Interests	Total Owners' Equity
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
<b>For the Six Months Period Ended June 30, 2012</b>													
<b>Balance at the beginning of the period</b>	776 027	1 225 747	529 652	977 315	1 822 824	363 458	1 540 896	120 182	(39 002)	165 330	7 482 429	174 319	7 656 748
Profit for the period	-	-	-	-	-	-	-	-	-	353 540	353 540	6 714	360 254
Other comprehensive income for the Period	-	-	-	-	-	-	-	(90 449)	(35 665)	-	(126 114)	(10 507)	(136 621)
<b>Total Comprehensive Income for the Period</b>	-	-	-	-	-	-	-	(90 449)	(35 665)	353 540	227 426	(3 793)	223 633
Transferred form investments revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	3	(3)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments during the period	-	-	-	-	-	-	-	-	-	(193 900)	(193 900)	(5 320)	(199 220)
<b>Balance at the End of the Period</b>	776 027	1 225 747	529 652	977 315	1 822 824	363 458	1 540 896	29 733	(74 664)	315 614	7 506 602	160 389	7 666 991
<b>For the Six Months Period Ended June 30, 2011</b>													
<b>Balance at the beginning of the period</b>	776 027	1 225 747	482 547	977 315	1 822 824	363 458	1 540 896	193 033	(13 576)	279 567	7 647 838	161 214	7 809 052
Effect of adoption of IFRS 9	-	-	-	-	-	-	-	-	68 610	(207 326)	(138 716)	(1 263)	(139 979)
<b>Balance at the beginning of the period (adjusted)</b>	776 027	1 225 747	482 547	977 315	1 822 824	363 458	1 540 896	193 033	55 034	72 241	7 509 122	159 951	7 669 073
Profit for the period	-	-	-	-	-	-	-	-	-	319 482	319 482	7 752	327 234
Other comprehensive income for the Period	-	-	-	-	-	-	-	118 408	(18 217)	-	100 191	2 700	102 891
<b>Total Comprehensive Income for the Period</b>	-	-	-	-	-	-	-	118 408	(18 217)	319 482	419 673	10 452	430 125
Transferred form investments revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	(106)	106	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of increase in ownership in subsidiary	-	-	-	-	-	-	-	-	-	(156 251)	(156 251)	(5 350)	(161 601)
<b>Balance at the End of the Period</b>	776 027	1 225 747	482 547	977 315	1 822 824	363 458	1 540 896	311 441	36 711	235 578	7 772 544	185 078	7 957 622

The retained earnings include restricted deferred tax assets in the amount of USD 40.7 million, and the investment revaluation reserve amounted to USD (74.7) million, and unrealized gain from revaluation of financial assets at fair value through profit or loss in the amount of USD 11.4 million. Moreover, restricted retained earnings that can not be distributed or otherwise utilized except only under certain circumstances, as a result of adoption of certain International Financial Reporting Standards amounted to USD 1.6 million as of June 30, 2012.

Retained earnings include an unrealized loss in the amount of USD (160.8) million due to the effect of adoption of IFRS 9 as of June 30, 2012.

The use of the General Banking Risk Reserve is restricted and requires prior approval from the Central Bank of Jordan.

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**ARAB BANK GROUP**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**(REVIEWED NOT AUDITED)**

	For the Six Months	
	Period Ended June 30,	
Note	2012	2011
	USD '000	USD '000
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit for the period before tax	481 336	400 714
Adjustments for:		
- Group's share from associates profits	( 171 983)	( 155 506)
- Depreciation and amortization	25 118	24 349
- Provision for impairment - direct credit facilities at amortized cost	60 577	104 417
- Net interest income	2 097	( 10 683)
- Dividends received from associates	( 128 674)	( 106 465)
- Dividends on financial assets at fair value through other comprehensive income	( 8 076)	( 4 480)
- (Gain) from revaluation of financial assets at fair value through profit or loss	( 11 354)	( 6)
- Other provisions	6 106	8 939
<b>Total</b>	<b>255 147</b>	<b>261 279</b>
<b><u>(Increase) Decrease in Assets:</u></b>		
Balances with central banks (maturing after 3 months)	( 63 192)	( 62 454)
Deposits with banks and financial institutions (maturing after 3 months)	( 43 569)	( 57 332)
Direct credit facilities at amortized cost	426 960	( 799 562)
Financial assets at fair value through profit or loss	100 655	( 121 749)
Other assets and financial derivatives	( 50 516)	( 276 063)
<b><u>Increase (Decrease) in Liabilities:</u></b>		
Banks' and financial institutions' deposits (maturing after 3 months)	( 202 683)	6 233
Customer deposits	( 35 650)	476 282
Cash margin	371 867	( 183 205)
Other liabilities and financial derivatives	63 706	42 985
Net change in assets and liabilities	567 578	( 974 865)
<b>Net Cash Flows Generated by (used in) Operations Activities before Income Tax</b>	<b>822 725</b>	<b>( 713 586)</b>
Income tax paid	( 139 981)	( 139 031)
<b>Net Cash Flow Generated by (used in) Operations Activities</b>	<b>682 744</b>	<b>( 852 617)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Financial assets at fair value through other comprehensive income	2 259	519
Other financial assets at amortized cost	397 654	477 152
(Purchase) of investments in associates	( 12 727)	( 11 731)
Dividends from investments in associates	128 674	106 465
Dividends received from financial assets at fair value through other comprehensive income	8 076	4 480
(Purchase) of fixed assets	( 20 031)	( 32 651)
<b>Net Cash Flow Generated by (used in) Investing Activities</b>	<b>503 905</b>	<b>544 234</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Dividends paid to shareholders	( 191 826)	( 156 251)
Borrowed funds	( 68 736)	-
<b>Net Cash Flow (used in) Financing Activities</b>	<b>( 260 562)</b>	<b>( 156 251)</b>
Net increase (decrease) in cash and cash equivalent	926 087	( 464 634)
Exchange differences - (change in foreign exchange rates)	( 90 449)	104 376
Cash and cash equivalent at the beginning of the period	7 938 770	7 589 439
<b>Cash and Cash Equivalent at the End of the Period</b>	<b>8 774 408</b>	<b>7 229 181</b>

The accompanying notes from (1) to (29) are an integral part of these condensed consolidated interim financial information and should be read with them and with the accompanying review report.



**ARAB BANK GROUP**  
**NOTES TO THE CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

**1. GENERAL INFORMATION**

- Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman, Jordan, and the Bank operates worldwide through its 79 branches in Jordan and 104 branches abroad.
- Arab Bank shares are traded on Amman Stock Exchange.
- The accompanying condensed consolidated interim financial information was approved by the Board of Directors in its meeting Number (4) on 26 July 2012.

**2. BASIS OF CONSOLIDATION**

- The accompanying condensed consolidated interim financial information of Arab Bank Group, presented in US dollars, comprise the financial information of Arab Bank plc, its sister company, Arab Bank (Switzerland) Limited and the following key subsidiaries:

	<u>Percentage of ownership</u> %	<u>Date of Acquisition</u>	<u>Principal Activity</u>	<u>Place of Incorporation</u>	<u>Paid-up Capital</u>
Europe Arab Bank plc	100.00	2006	Banking	United Kingdom	€ 550m
Arab Bank Australia Limited	100.00	1994	Banking	Australia	AUD 62.5m
Islamic International Arab Bank plc	100.00	1997	Banking	Jordan	JD 100m
Arab National Company for Leasing of Equipment	100.00	1996	Financial Leasing Brokerage and Financial Services	Jordan	JD 15m
Al-Arabi Investment Group	100.00	1996	Banking	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	2008	Banking	Sudan	SDG 117.5m
Arab Investment Bank S.A.L.	100.00	1998	Banking Brokerage and Financial Services	Lebanon	LBP 15b
Al Arabi Investment Group	100.00	2009	Banking	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	1982	Banking	Tunisia	TND 100m
Arab Bank Syria	51.43	2005	Banking	Syria	SYP 5.05b
Al Nisr Al Arabi Insurance plc	50.00	2006	Insurance	Jordan	JD 10m

- Subsidiaries are entities under the effective control of Arab Bank plc. Control is achieved when the Group has the power to govern the strategic financial and operating policies of the subsidiaries so as to obtain benefits from its activities.
- The condensed consolidated interim financial information reflect the consolidated financial position and consolidated results of operations at the level of the consolidated economic ownership of Arab Bank plc and the sister company, Arab Bank (Switzerland) Limited, which is considered an integral part of Arab Bank Group.
- The financial information of subsidiaries are prepared using the same accounting policies used by other members of the Group. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
- The results of operations of the subsidiaries are included in the consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary by the Group. The results of operations of subsidiaries disposed of during the year are included in the consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.
- Upon consolidation, inter-Group transactions and balances between Arab Bank plc, the sister company, Arab Bank (Switzerland) Limited and other subsidiaries are eliminated. Items in transit are stated within other assets or other liabilities, as appropriate. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within owners' equity in the consolidated statement of financial position.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of preparation of the Consolidated Financial Information**

- The accompanying condensed consolidated interim financial information have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting". As well as, the effective local regulations and Central Bank of Jordan (CBJ) instructions.
- The condensed consolidated interim financial information are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities which are stated at fair value as of the date of the consolidated interim financial information.
- The accompanying condensed consolidated interim financial information do not include all the information and disclosures to the financial statements required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards and must be read with the consolidated financial statements of the Group as of December 31, 2011. In addition, the results of the Group's operations for the six-month ended June 30, 2012 do not necessarily represent indications of the expected results for the year ending December 31, 2012 except for not appropriating the profit of the six-month period June 30, 2012, which is usually performed at year-end.
- The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those adopted for the year ended December 31, 2011 except for:

- Adjustments on International Accounting Standards (IAS) number (12) “Tax” relating to deferred tax: recovery of underlying assets.
- Adjustments on International Financial Reporting Standard number (7): Financial Instruments/ Disclosures – transfer of financial assets.

Which it did not have any material impact on the amounts and disclosures of the consolidated interim financial information.

#### **4. CASH AND BALANCES WITH CENTRAL BANKS**

- The mandatory cash reserve amounted to USD 1176.8 million as of June 30, 2012 (USD 1120.6 million as of December 31, 2011).
- Except for the mandatory cash reserve, there are no restricted balances at central banks.
- Balances maturing after three months amounted to USD 225.4 million as of June 30, 2012 (USD 162.2 million as of December 31, 2011).

#### **5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

- There are no non-interest bearing balances with banks and financial institutions as of 30 June 2012 and December 31, 2011.
- There are no restricted balances as of June 30, 2012 and December 31, 2011.

#### **6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS**

- Deposits with banks and financial institutions maturing after three months amounted to USD 219.4 million and after six months amounted to USD 46 million as of June 30, 2012 (USD 175.8 million after three months and USD 51.6 million after six months as of December 31, 2011).

7- **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The details of this item are as follows:

	June 30, 2012	December 31, 2011
	USD '000	USD '000
Treasury bills and bonds	276 795	194 223
Corporate bonds	313 352	450 028
Loans and advances	124 531	126 619
Shares and mutual funds	148 566	181 675
<b>Total</b>	<b>863 244</b>	<b>952 545</b>

8- **DIRECT CREDIT FACILITIES AT AMORTIZED COST**

The details of this item are as follows:

	June 30, 2012					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	70 803	211 761	325 664	266 685	10 634	885 547
Overdrafts *	143 575	620 128	2 775 516	-	294 799	3 834 018
Loans and advances *	1 912 010	1 668 786	11 203 674	137 778	823 190	15 745 438
Real-estate loans	1 320 984	248 976	42 770	-	-	1 612 730
Credit cards	97 437	-	-	-	-	97 437
<b>Total</b>	<b>3 544 809</b>	<b>2 749 651</b>	<b>14 347 624</b>	<b>404 463</b>	<b>1 128 623</b>	<b>22 175 170</b>
<u>Less:</u> Interest and commission in suspense	50 029	97 847	129 232	1 882	-	278 990
Provision for impairment - direct credit facilities at amortized cost	153 818	160 404	1 109 169	3 290	2 403	1 429 084
<b>Total</b>	<b>203 847</b>	<b>258 251</b>	<b>1 238 401</b>	<b>5 172</b>	<b>2 403</b>	<b>1 708 074</b>
<b>Net Direct Credit Facilities At Amortized Cost</b>	<b>3 340 962</b>	<b>2 491 400</b>	<b>13 109 223</b>	<b>399 291</b>	<b>1 126 220</b>	<b>20 467 096</b>

\* Net of interest and commission received in advance, which amounted to USD 87.4 million as of June 30, 2012.

- Rescheduling loans during the six month period ended as of June 30, 2012 amounted to USD 54.1 million.
- Restructuring loans during the six month period ended as of June 30, 2012 amount to USD 165.9 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of June 30, 2012 amounted to USD 137.2 million, or 0.6% of total direct credit facilities.
- Non-performing direct credit facilities as of June 30, 2012 amounted to USD 1714.1 million, or 7.7% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of June 30, 2012 amounted to USD 1435.1 million, or 6.6% of net direct credit facilities.

	December 31, 2011					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	63 928	221 962	345 352	227 944	10 706	869 892
Overdrafts *	80 290	719 104	2 725 234	375	355 317	3 880 320
Loans and advances *	1 853 765	1 621 382	11 673 442	145 953	861 115	16 155 657
Real-estate loans	1 297 851	257 929	16 785	-	-	1 572 565
Credit cards	86 826	-	-	-	-	86 826
<b>Total</b>	<b>3 382 660</b>	<b>2 820 377</b>	<b>14 760 813</b>	<b>374 272</b>	<b>1 227 138</b>	<b>22 565 260</b>
<u>Less:</u> Interest and commission in suspense	37 770	92 821	105 755	1 519	-	237 865
Provision for impairment - direct credit facilities at amortized cost	148 014	148 098	1 070 924	3 290	2 436	1 372 762
<b>Total</b>	<b>185 784</b>	<b>240 919</b>	<b>1 176 679</b>	<b>4 809</b>	<b>2 436</b>	<b>1 610 627</b>
<b>Net Direct Credit Facilities at Amortized Cost</b>	<b>3 196 876</b>	<b>2 579 458</b>	<b>13 584 134</b>	<b>369 463</b>	<b>1 224 702</b>	<b>20 954 633</b>

\* Net of interest and commission received in advance, which amounted to USD 103.3 million as of December 31, 2011

- Direct credit facilities granted to and guaranteed by the government of Jordan as of December 31, 2011 amounted to USD 147.2 million, or 0.7% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2011 amounted to USD 1586.5 million, or 7% of total direct credit facilities.
- Non-performing direct credit facilities, net of interest and commission in suspense, as of December 31, 2011 amounted to USD 1348.7 million, or 6% of net direct credit facilities.

The details of movement on interest and commission in suspense are as follows:

	June 30, 2012					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the period	37 770	92 821	105 755	1 519	-	237 865
Interest and commission suspended during the period	12 831	6 164	23 923	365	-	43 283
Interest and commission in suspense / written off	( 220)	( 1 827)	( 23)	-	-	( 2 070)
Recoveries	( 1 652)	( 1 158)	( 734)	-	-	( 3 544)
Adjustments during the period	1 686	2 296	1 253	-	-	5 235
Translation adjustments	( 386)	( 449)	( 942)	( 2)	-	( 1 779)
<b>Balance at the End of the Period</b>	<b>50 029</b>	<b>97 847</b>	<b>129 232</b>	<b>1 882</b>	-	<b>278 990</b>

	December 31, 2011					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	27 971	91 233	85 125	869	-	205 198
Interest and commission suspended during the year	11 869	12 309	40 056	649	-	64 883
Interest and commission in suspense / written off	( 280)	( 8 512)	( 17 064)	-	-	( 25 856)
Recoveries	( 1 548)	( 1 949)	( 2 010)	-	-	( 5 507)
Translation adjustments	( 242)	( 260)	( 352)	1	-	( 853)
<b>Balance at the End of the Year</b>	<b>37 770</b>	<b>92 821</b>	<b>105 755</b>	<b>1 519</b>	-	<b>237 865</b>

- Suspended interest on real-estate loans amounted to USD 8.6 million as of June 30, 2012 against USD 7.8 million as of December 31, 2011.

The details of movement on the provision for impairment of the direct credit facilities at amortized cost are as follows:

	June 30, 2012					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the period	148 014	148 098	1 070 924	3 290	2 436	1 372 762
Impairment losses charged to income	10 949	24 124	55 459	-	202	90 734
Used from provision (written off)	( 236)	( 2 517)	( 1 501)	-	-	( 4 254)
Surplus in provision transferred to statement of income	( 4 023)	( 13 353)	( 12 553)	-	( 228)	( 30 157)
Adjustments during the period	1 305	5 871	( 256)	-	-	6 920
Translation adjustments	( 2 191)	( 1 819)	( 2 904)	-	( 7)	( 6 921)
<b>Balance at the End of the Period</b>	<b>153 818</b>	<b>160 404</b>	<b>1 109 169</b>	<b>3 290</b>	<b>2 403</b>	<b>1 429 084</b>

	December 31, 2011					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	129 147	138 788	786 251	-	2 676	1 056 862
Effect of applying IFRS 9	-	-	( 87 082)	-	-	( 87 082)
<b>Balance at the beginning of the year - Adjusted</b>	<b>129 147</b>	<b>138 788</b>	<b>699 169</b>	-	<b>2 676</b>	<b>969 780</b>
Impairment losses charged to income	30 222	25 948	405 476	3 290	199	465 135
Used from provision (written off)	( 1 584)	( 11 012)	( 15 417)	-	-	( 28 013)
Surplus in provision transferred to statement of income	( 7 513)	( 8 110)	( 14 190)	-	( 381)	( 30 194)
Adjustments during the year	-	293	( 293)	-	-	-
Translation adjustments	( 2 258)	2 191	( 3 821)	-	( 58)	( 3 946)
<b>Balance at the End of the Year</b>	<b>148 014</b>	<b>148 098</b>	<b>1 070 924</b>	<b>3 290</b>	<b>2 436</b>	<b>1 372 762</b>

- Impairment is assessed based on individual customer accounts.

- Provision for real-estate loans amounted to USD 62.3 million as of June 30, 2012 against USD 64.2 million as of December 31, 2011.

## 9- OTHER FINANCIAL ASSETS AT AMOTIZED COST

The details of this item are as follows:

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
Treasury bills and bonds	4 651 868	4 435 491
Government bonds	1 147 049	1 387 910
Corporate bonds	1 346 701	1 719 974
<u>Less:</u> Provision for impairment	( 7 904)	( 8 007)
<b>Total</b>	<b><u>7 137 714</u></b>	<b><u>7 535 368</u></b>

**Analysis of bonds based on interest payments:**

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
Floating rate	848 749	1 274 305
Fixed rate	6 288 965	6 261 063
<b>Total</b>	<b><u>7 137 714</u></b>	<b><u>7 535 368</u></b>

**Analysis of financial assets based on market quotation:**

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
<b>Financial assets quoted in the market:</b>		
Treasury bills and bonds	976 249	915 137
Government bonds	244 939	247 288
Corporate bonds	896 895	1 243 234
<b>Total</b>	<b><u>2 118 083</u></b>	<b><u>2 405 659</u></b>

**Financial assets unquoted in the market:**

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
Treasury bills and bonds	3 675 619	3 520 354
Government bonds	902 110	1 140 622
Corporate bonds	441 902	468 733
<b>Total</b>	<b><u>5 019 631</u></b>	<b><u>5 129 709</u></b>

**The details of movement on the provision for impairment of other financial assets at amortized cost:**

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
Balance at the beginning of the period/year	8 007	23 764
Impairment losses charged to income	-	3 231
Used from provision (written off)	-	( 18 713)
Translation adjustments	( 103)	( 275)
<b>Balance at the End of the Period / Year</b>	<b><u>7 904</u></b>	<b><u>8 007</u></b>

During the first half of the year 2012 there was a sale of financial assets at amortized cost due to the decrease in its credit rating.

## 10- FIXED ASSETS

The additions to and disposals of fixed assets during the six month period ended June 30, 2012 amounted to USD 35.5 million and USD 16.7 million, respectively ( USD 26.4 million and USD 21.8 million for the six month period end as of June 30, 2011).

## 11- OTHER ASSETS

The details of this item are as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
	USD '000	USD '000
Accrued interest receivable	211 299	220 501
Prepaid expenses	119 901	107 293
Foreclosed assets *	69 386	47 446
Items in transit	785	399
Miscellaneous assets	269 030	238 045
<b>Total</b>	<b>670 401</b>	<b>613 684</b>

\* The Central Bank of Jordan's instructions require disposal of these assets during a maximum period of two years from the date of foreclosure.

## 12- CUSTOMER DEPOSITS

The details of this item are as follows:

	<b>June 30, 2012</b>				Total USD '000
	Retail USD '000	Corporates		Government and Public Sector USD '000	
		Small & Medium USD '000	Large USD '000		
Current and demand	5 867 965	1 698 786	1 943 917	559 689	<b>10 070 357</b>
Savings	2 237 315	22 075	15 341	87	<b>2 274 818</b>
Time and notice	8 350 701	1 003 417	3 167 270	3 179 699	<b>15 701 087</b>
Certificates of deposit	468 454	7 680	47 085	139 481	<b>662 700</b>
<b>Total</b>	<b>16 924 435</b>	<b>2 731 958</b>	<b>5 173 613</b>	<b>3 878 956</b>	<b>28 708 962</b>

- The Government of Jordan and Jordanian public sector deposits amounted to USD 821.7 million, or 2.9% of total customer deposits as of June 30, 2012.
- Non-interest bearing deposits amounted to USD 8231.9 million, or 28.7% of total customer deposits as of June 30, 2012.
- Blocked deposits amounted to USD 530.4 million, or 1.8% of total customer deposits as of June 30, 2012.
- Dormant deposits amounted to USD 338.2 million, or 1.2% of total customer deposits as of June 30, 2012.

	<b>December 31, 2011</b>				Total USD '000
	Retail USD '000	Corporates		Government and Public Sector USD '000	
		Small & Medium USD '000	Large USD '000		
Current and demand	5 439 224	1 580 295	2 122 826	455 078	<b>9 597 423</b>
Savings	2 145 076	20 452	8 377	204	<b>2 174 109</b>
Time and notice	8 503 993	951 017	4 174 162	2 858 643	<b>16 487 815</b>
Certificates of deposit	410 364	4 040	51 602	19 259	<b>485 265</b>
<b>Total</b>	<b>16 498 657</b>	<b>2 555 804</b>	<b>6 356 967</b>	<b>3 333 184</b>	<b>28 744 612</b>

- The Government of Jordan and Jordanian public sector deposits amounted to USD 685.4 million, or 2.4% of total customer deposits as of December 31, 2011.
- Non-interest bearing deposits amounted to USD 7889.8 million, or 27.4% of total customer deposits as 31 December 31, 2011.
- Blocked deposits amounted to USD 502.9 million, or 1.7% of total customer deposits as of 31 December 31, 2011.
- Dormant deposits amounted to USD 242.6 million, or 0.8% of total customer deposits as of December 31, 2011.



### 13- BORROWED FUNDS

The details of this item are as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
	USD '000	USD '000
From banks and financial institutions *	741 676	810 412
<b>Total</b>	<b>741 676</b>	<b>810 412</b>

In the year 2007, the Group issued a USD 500 million syndicated term loan to its favor through the external banking unit in Bahrain with a tenure of five years and paying LIBOR + 25 basis points.

The Group borrowed amounts from banks and financial institutions, as well issued syndicated term loans through the Arab Tunisian Bank for periods ranging from five years to thirteen years at different interest rate the lowest of which amounted to 2% and the highest to TMM plus 200 basis points (TMM + 200bp).

During the year 2010, the Group issued through Arab Bank Australia Limited a syndicated term loan of AUD 200 million for a term of three years paying interest equivalent to BBSW plus 47 basis points (BBSW + 47 bp). These bonds are guaranteed by the Australian Government at a cost of 100 basis points.

During the year 2010, the Group borrowed USD 5 million from the American Overseas Private Investment Corporation through the branches of Arab Bank plc in Jordan for a term of 25 years and paying fixed interest of 5.051%.

\* Analysis of borrowed funds according to interest payments is as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
	USD '000	USD '000
Floating rate	736 676	805 412
Fixed rate	5 000	5 000
<b>Total</b>	<b>741 676</b>	<b>810 412</b>

### 14- PROVISION FOR INCOME TAX

The details of this item are as follows:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
	USD '000	USD '000
Balance at the beginning of the period / year	197 905	213 340
Income tax expense	123 278	166 326
Income tax paid	( 139 981)	( 181 761)
<b>Balance at the End of the Period / Year</b>	<b>181 202</b>	<b>197 905</b>

Income tax expense charged to the consolidated statement of income consists of the following:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	USD '000	USD '000
Income tax expense for the period	123 278	75 201
Effect of deferred tax assets	( 2 196)	( 1 721)
<b>Total</b>	<b>121 082</b>	<b>73 480</b>

- The banking sector income tax rate in Jordan is 30% while the income tax rate in the countries where the Group has investments and branches ranges from zero to 40%.

## 15- OTHER LIABILITIES

The details of this item are as follows:

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
Accrued interest payable	123 915	131 020
Notes payable	117 148	158 007
Interest and commission received in advance	124 065	135 250
Accrued expenses	62 479	66 267
Other miscellaneous liabilities	207 725	202 902
<b>Total</b>	<b><u>635 332</u></b>	<b><u>693 446</u></b>

## 16- SHARE CAPITAL AND RESERVES

- A. The subscribed and paid-up capital amounted to USD 776.027 million as of June 30, 2012 ( USD 776.027 million as of December 31, 2011) .
- B. Share premium amounted to USD 1225.747 million as of June 30, 2012 (USD 1225.747million as of December 31,2011).
- C. The Bank did not make any appropriation to the legal reserves, in accordance with companies law, in the interim financial information as such appropriations are performed at year end.

## 17- RETAINED EARNINGS

The details of this item are as follows:

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
Balance at the beginning of the period/year	165 330	279 567
Effect of adoption of IFRS (9)	-	( 202 370)
<b>Adjusted balance at the beginning of the period / year</b>	<b>165 330</b>	<b>77 197</b>
Profit for the period/year attributable to shareholders of the bank	353 540	292 177
Investments revaluation reserve transferred to retained earnings	( 3)	( 688)
Dividends distribution **	( 193 900)	( 156 251)
Appropriation to reserves	-	( 47 105)
Adjustments during the period / year	( 9 353)	-
<b>Balance at the End of the Period / Year *</b>	<b><u>315 614</u></b>	<b><u>165 330</u></b>

\* Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, amounted to USD 1.6 million as of June 30, 2012 (USD 1.6 million as of December 31, 2011) as a result of the adoption of certain International Financial Reporting Standards.

\*\* The General Assembly of the Arab Bank PLC at its meeting on March 28, 2012 approved the recommendation of the Bank's Board of Directors to distribute 25% of capital as cash dividends (equivalent to USD 188.2 million) for the year 2011.

18- INTEREST INCOME

The details of this item are as follows:

	June 30, 2012	June 30, 2011
	USD '000	USD '000
Direct credit facilities at amortized cost *	550 697	562 557
Central banks	43 303	37 829
Banks and financial institutions	14 623	10 503
Financial assets at fair value through profit or loss	15 915	14 270
Other financial assets at amortized cost	243 267	178 950
<b>Total</b>	<b>867 805</b>	<b>804 109</b>

\* The details of interest income earned on direct credit facilities are as follows:

	June 30, 2012					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	1 817	4 799	11 522	2 899	310	21 347
Overdrafts	3 134	20 227	88 378	-	10 661	122 400
Loans and advances	72 745	52 231	204 522	3 600	18 195	351 293
Real-estate loans	40 461	7 567	25	-	-	48 053
Credit cards	7 604	-	-	-	-	7 604
<b>Total</b>	<b>125 761</b>	<b>84 824</b>	<b>304 447</b>	<b>6 499</b>	<b>29 166</b>	<b>550 697</b>

	June 30, 2011					
	Retail	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills	3 951	6 867	13 649	648	112	25 227
Overdrafts	3 459	22 590	79 512	-	9 493	115 054
Loans and advances	71 426	55 850	214 146	5 033	17 507	363 962
Real-estate loans	37 669	10 745	2 760	-	-	51 174
Credit cards	7 140	-	-	-	-	7 140
<b>Total</b>	<b>123 645</b>	<b>96 052</b>	<b>310 067</b>	<b>5 681</b>	<b>27 112</b>	<b>562 557</b>

19- **INTEREST EXPENSE**

The details of this item are as follows:

	June 30, 2012	June 30, 2011
	USD '000	USD '000
Customer deposits *	288 464	249 614
Banks and financial institutions	40 445	28 733
Cash margin	26 362	23 916
Borrowed funds	9 697	11 256
Deposit insurance fees	8 660	8 041
<b>Total</b>	<b>373 628</b>	<b>321 560</b>

\* Interest expense charged to income on customer deposits is as follows:

	June 30, 2012				
	Retail	Corporates		Government and Public Sector	Total
		Small & Medium	Large Corporates		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	2 496	954	4 465	988	8 903
Savings	22 087	110	20	-	22 217
Time and notice	132 986	22 520	45 363	31 441	232 310
Certificates of deposit	20 204	265	1 174	3 391	25 034
<b>Total</b>	<b>177 773</b>	<b>23 849</b>	<b>51 022</b>	<b>35 820</b>	<b>288 464</b>

	June 30, 2011				
	Retail	Corporates		Government and Public Sector	Total
		Small & Medium	Large Corporates		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	2 325	1 004	4 099	781	8 209
Savings	23 185	93	185	-	23 463
Time and notice	111 227	17 015	49 281	20 748	198 271
Certificates of deposit	15 179	665	169	3 658	19 671
<b>Total</b>	<b>151 916</b>	<b>18 777</b>	<b>53 734</b>	<b>25 187</b>	<b>249 614</b>

20- **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The details of this item are as follows:

	June 30, 2012				June 30, 2011
	Realized Gains	Unrealized Gains	Dividends	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	1 817	7 525	-	9 342	15 199
Shares	2 579	3 829	1 290	7 698	( 6 024)
<b>Total</b>	<b>4 396</b>	<b>11 354</b>	<b>1 290</b>	<b>17 040</b>	<b>9 175</b>

## **21. BUSINESS SEGMENTS**

### **a) Description of Segment's Activities**

The Group has an integrated group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools.

The following is a summary of these groups' activities stating their business nature and future plans:

#### **1. Corporate and Investment Banking**

This group provides banking services and finances the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

#### **2. Treasury Group**

This group is considered a source of financing for the Group, in general, and for the strategic business units, in particular. It steers the financing of the Group, and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's departments, in addition to being a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money market instruments.
- Certificates of deposit.
- Interest rate swaps.
- Other various derivatives.
- Stocks.

#### **3. Elite**

During the year 2009, the Group consolidated its services provided to high-networth customers with those provided to the Elite within the retail domain in order to enhance the Group's onshore services and products offered to customers in the countries where it operates. At the same time, the Group transfers ownership of the offshore activities to Arab Bank (Switzerland) Ltd.

The most significant objective of the ultimate work model is to reinforce the Group's ability to benefit from the distribution channels relating to the Elite and retail activities in a more efficient manner so as to fulfill the needs of all types of clients of the Group. This will be through transferring the Group's offshore activities to Arab Bank (Switzerland) Ltd as it is the arm dedicated to dealing with all requirements of the external activities of the Group's high-net worth clients.

#### **4. Retail Banking Group**

This group provides banking services to individuals, and endeavors to meet their financial services needs using the best methods, through effective distribution channels, and a variety of product services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels, such as direct phone calls, the internet, and text messaging via cellular phones.

**Information about the Group's Business Segments**

	June 30, 2012					June 30, 2011	
	Corporate Banking	Treasury	Elite	Retail Banking	Other	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Net income	386 010	291 705	( 61 151)	91 047	191 303	898 914	857 203
Net inter-segment interest income	( 49 541)	( 107 999)	96 708	60 832	-	-	-
Provision for impairment - direct credit facilities at amortized cost	48 141	-	69	12 367	-	60 577	104 417
Other provisions	384	226	73	2 990	2 433	6 106	8 939
Direct administrative expenses	55 676	14 927	9 080	71 688	-	151 371	151 940
<b>Result of Operations of Segments</b>	<b>232 268</b>	<b>168 553</b>	<b>26 335</b>	<b>64 834</b>	<b>188 870</b>	<b>680 860</b>	<b>591 907</b>
Indirect expenses on segments	82 116	33 629	11 747	58 715	13 317	199 524	191 193
<b>Profit for the Period before Income Tax</b>	<b>150 152</b>	<b>134 924</b>	<b>14 588</b>	<b>6 119</b>	<b>175 553</b>	<b>481 336</b>	<b>400 714</b>
Income tax expense	19 574	33 914	5 653	3 131	58 810	121 082	73 480
<b>Profit for the Period</b>	<b>130 578</b>	<b>101 010</b>	<b>8 935</b>	<b>2 988</b>	<b>116 743</b>	<b>360 254</b>	<b>327 234</b>
Depreciation and Amortization	7 931	2 419	1 591	13 177	-	25 118	24 349

**Other information**

	June 30, 2012					December 31, 2011	
	Corporate Banking	Treasury	Elite	Retail Banking	Other	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Segment assets	17 656 886	21 204 248	499 358	2 991 275	980 994	43 332 761	43 368 447
Inter-segment assets	-	1 247 261	9 030 306	4 949 834	5 249 655	-	-
Investments in associates	-	-	-	-	2 288 936	2 288 936	2 244 764
<b>Total Assets</b>	<b>17 656 886</b>	<b>22 451 509</b>	<b>9 529 664</b>	<b>7 941 109</b>	<b>8 519 585</b>	<b>45 621 697</b>	<b>45 613 211</b>
Segment liabilities	14 866 230	4 765 109	9 529 664	7 941 109	852 594	37 954 706	37 956 463
Capital and reserves	-	-	-	-	7 666 991	7 666 991	7 656 748
Inter-segment liabilities	2 790 656	17 686 400	-	-	-	-	-
<b>Total Liabilities and Owners' Equity</b>	<b>17 656 886</b>	<b>22 451 509</b>	<b>9 529 664</b>	<b>7 941 109</b>	<b>8 519 585</b>	<b>45 621 697</b>	<b>45 613 211</b>

**22- CONTRACTUAL MATURITY OF THE CONTINGENT ACCOUNTS**

The table below details the maturity of expected liabilities and commitments on the basis of contractual maturity:

**June 30, 2012**

	<b>Within 1 Year</b>	<b>After 1 Year and before 5 Years</b>	<b>After 5 Years</b>	<b>Total</b>
	USD '000	USD '000	USD '000	USD '000
Letters of credit	2 630 333	56 392	-	2 686 725
Acceptances	846 079	66 743	80	912 902
Letters of guarantees:				
- Payment guarantees	1 204 848	427 526	5 875	1 638 249
- Performance guarantees	2 372 620	2 169 805	32 788	4 575 213
- Other guarantees	3 989 719	2 188 598	9 855	6 188 172
Unutilized credit facilities	3 355 992	727 582	24 349	4 107 923
<b>Total</b>	<b>14 399 591</b>	<b>5 636 646</b>	<b>72 947</b>	<b>20 109 184</b>

Construction projects contracts	-	-	-	-
Procurement contracts	1 774	458	-	2 232
Operating lease contracts	3 426	6 659	15 324	25 409
<b>Total</b>	<b>5 200</b>	<b>7 117</b>	<b>15 324</b>	<b>27 641</b>

**December 31, 2011**

	<b>Within 1 Year</b>	<b>After 1 Year and before 5 Years</b>	<b>After 5 Years</b>	<b>Total</b>
	USD '000	USD '000	USD '000	USD '000
Letters of credit	2 289 915	91 287	-	2 381 202
Acceptances	701 847	75 992	83	777 922
Letters of guarantees:				
- Payment guarantees	1 072 282	531 978	4 359	1 608 619
- Performance guarantees	2 576 182	2 149 665	76 312	4 802 159
- Other guarantees	4 216 806	2 517 116	139 572	6 873 494
Unutilized credit facilities	2 583 820	559 340	17 639	3 160 799
<b>Total</b>	<b>13 440 852</b>	<b>5 925 378</b>	<b>237 965</b>	<b>19 604 195</b>

Construction projects contracts	92	-	-	92
Procurement contracts	3 315	458	-	3 773
Operating lease contracts	3 715	7 014	15 669	26 398
<b>Total</b>	<b>7 122</b>	<b>7 472</b>	<b>15 669</b>	<b>30 263</b>

**23. Credit exposure categorized by geographical region:**

	June 30, 2012						
	Jordan	Other Arab countries	Asia *	Europe	America	Rest of the World	Total
Balances with central banks	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	2 804 471	1 746 208	138	2 616 868	-	16 151	7 183 836
Balances and deposits with banks and financial institutions	43 297	1 292 161	220 714	3 322 969	446 653	96 999	5 422 793
Financial assets at fair value through profit or loss	18 260	284 693	-	361 871	1 667	48 187	714 678
Direct credit facilities at amortized cost	4 601 774	11 573 238	1 686 361	1 524 244	210 788	870 691	20 467 096
Other financial assets at amortized cost	2 134 007	3 681 316	27 825	507 507	429 457	357 602	7 137 714
Other assets	142 862	199 255	3 760	22 557	-	7 519	375 953
<b>Total</b>	<b>9 744 671</b>	<b>18 776 871</b>	<b>1 938 798</b>	<b>8 356 016</b>	<b>1 088 565</b>	<b>1 397 149</b>	<b>41 302 070</b>

	December 31, 2011						
	Jordan	Other Arab countries	Asia *	Europe	America	Rest of the World	Total
Balances with central banks	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	3 692 051	1 921 069	329	1 832 075	-	-	7 445 524
Balances and deposits with banks and financial institutions	201 041	1 562 688	284 777	1 709 605	491 079	11 485	4 260 675
Financial assets at fair value through profit or loss	17 471	277 797	29 699	419 569	2 726	23 608	770 870
Direct credit facilities at amortized cost	5 116 646	14 059 140	334 326	1 014 018	261 572	168 931	20 954 633
Other financial assets at amortized cost	2 141 913	3 682 780	61 618	787 565	457 942	403 550	7 535 368
Other assets	89 484	153 645	36 145	47 884	242	53 655	381 055
<b>Total</b>	<b>11 258 606</b>	<b>21 657 119</b>	<b>746 894</b>	<b>5 810 716</b>	<b>1 213 561</b>	<b>661 229</b>	<b>41 348 125</b>

\* Excluding Arab countries



24. CREDIT EXPOSURE CATEGORIZED BY ECONOMIC SECTOR

June 30, 2012

	Corporates										Government and Public Sector	Total	
	Retail	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	General Services	Banks and Financial Institutions			
													USD '000
Balances with central banks	-	-	-	-	-	-	-	-	-	-	7 183 836	-	7 183 836
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	5 422 793	-	5 422 793
Financial assets at fair value through profit or loss	-	73 074	-	64 011	9 183	-	18 850	28 155	7 895	236 715	-	276 795	714 678
Direct credit facilities at amortized cost	3 340 962	4 700 923	1 499 312	1 482 473	3 212 209	122 588	850 323	1 086 702	2 646 093	399 291	-	1 126 220	20 467 096
Other financial assets at amortized cost	-	71 586	24 809	4 658	30 909	-	-	7 968	55 248	1 143 619	-	5 798 917	7 137 714
Other assets	28 258	15 611	5 814	6 821	19 789	1 208	4 427	12 765	27 756	105 106	-	148 398	375 953
<b>Total</b>	<b>3 369 220</b>	<b>4 861 194</b>	<b>1 529 935</b>	<b>1 557 963</b>	<b>3 272 090</b>	<b>123 796</b>	<b>873 600</b>	<b>1 135 990</b>	<b>2 736 992</b>	<b>14 491 360</b>	<b>7 350 330</b>	<b>41 302 070</b>	

December 31, 2011

	Corporates										Government and Public Sector	Total	
	Retail	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism & Hotels	Transportation	General Services	Banks and Financial Institutions			
													USD '000
Balances with central banks	-	-	-	-	-	-	-	-	-	-	7 445 524	-	7 445 524
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	4 260 675	-	4 260 675
Financial assets at fair value through profit or loss	-	24 220	-	134 237	9 183	-	-	26 487	23 938	358 582	194 223	-	770 870
Direct credit facilities at amortized cost	3 196 876	4 341 083	1 581 684	1 846 432	3 364 005	174 406	813 052	1 332 931	2 709 999	369 463	-	1 224 702	20 954 633
Other financial assets at amortized cost	-	47 417	38 136	10 094	1 149	-	-	8 647	193 927	1 412 597	-	5 823 401	7 535 368
Other assets	21 418	13 010	2 523	4 910	13 678	1 156	4 054	12 095	67 137	111 287	-	129 787	381 055
<b>Total</b>	<b>3 218 294</b>	<b>4 425 730</b>	<b>1 622 343</b>	<b>1 995 673</b>	<b>3 388 015</b>	<b>175 562</b>	<b>817 106</b>	<b>1 380 160</b>	<b>2 995 001</b>	<b>13 958 128</b>	<b>7 372 113</b>	<b>41 348 125</b>	

25 - CAPITAL MANAGEMENT

The Group manages its capital to safeguard its ability to continue as a going concern while maximizing the return to Owner's equity. The composition of the regulatory capital, as defined by the Basel Committee, is as follows:

	<u>June 30, 2012</u>	<u>December 31, 2011</u>
	USD '000	USD '000
<b>A- CORE CAPITAL</b>		
Share capital	776 027	776 027
Statutory reserve	529 652	529 652
Voluntary reserve	977 315	977 315
Share premium	1 225 747	1 225 747
General reserve	1 822 824	1 822 824
Retained earnings *	( 78 448)	( 66 747)
Intangible assets	( 3 151)	( 4 198)
Foreclosed assets	( 11 251)	( 11 269)
<b>Total core capital</b>	<b>5 238 715</b>	<b>5 249 351</b>
<b>B- SUPPLEMENTARY CAPITAL</b>		
Foreign currency translation reserve	29 733	120 182
Investments revaluation reserve	( 74 664)	( 39 002)
Subordinated loans	27 757	35 709
General banking risk reserve	346 634	349 998
<b>Total supplementary capital</b>	<b>329 460</b>	<b>466 887</b>
<b>C- INVESTMENTS</b>	984 047	962 299
<b>Regulatory capital (A+B-C)</b>	<b>4 584 128</b>	<b>4 753 939</b>
<b>Risk-weighted assets (RWA)</b>	<b>30 961 993</b>	<b>31 412 688</b>
Regulatory capital / risk-weighted assets	14.81%	15.13%
Core capital / risk-weighted assets	14.81%	15.13%

\* Net after deducting deferred tax assets

- The Board of Directors performs an overall review of the capital structure of the Group on quarterly basis. As part of such review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividends policies and capitalization of reserves.
- The minimum level of the capital adequacy ratio as defined by Basel Committee is 8% and 12% as per the Central Bank of Jordan's instructions, while this ratio amounted to 14.8% as of June 30, 2012 (15.1% as of December 31, 2011).

**26- EARNINGS PER SHARE**

The details of this item are as follows:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	USD '000	USD '000
Profit for the period attributable to the Bank's shareholders	<u>353 540</u>	<u>319 482</u>
	<b>Thousand / Shares</b>	
Average number of shares	<u>534 000</u>	<u>534 000</u>
	<b>USD / Share</b>	
Earnings Per Share	<u><u>0.66</u></u>	<u><u>0.60</u></u>

**27- CASH AND CASH EQUIVALENT**

The details of this item are as follows:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	7 331 486	5 966 465
<u>Add:</u> Balances with banks and financial institutions maturing within 3 months	5 203 431	6 163 583
<u>Less:</u> Banks and financial institutions deposits maturing within 3 months	<u>3 760 509</u>	<u>4 900 867</u>
<b>Total</b>	<u><u>8 774 408</u></u>	<u><u>7 229 181</u></u>

## 28. TRANSACTIONS WITH RELATED PARTIES

The details of the balances with related parties are as follows:

30 June 2012

	Deposits Owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits Owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	USD '000	USD '000	USD '000	USD '000
Associates	360 457	-	160 535	53 792
Major Shareholders and Members of the Board of Directors	-	326 889	384 745	97 957
<b>Total</b>	<b>360 457</b>	<b>326 889</b>	<b>545 280</b>	<b>151 749</b>

31 December 2011

	Deposits Owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits Owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	USD '000	USD '000	USD '000	USD '000
Associates	150 753	-	157 170	39 504
Major Shareholders and Member of the Board of Directors	-	466 474	461 787	139 902
<b>Total</b>	<b>150 753</b>	<b>466 474</b>	<b>618 957</b>	<b>179 406</b>

All facilities granted to related parties are performing loans in accordance with the credit rating of the Group. Moreover, no provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

30 June 2012

Associated Companies

Interest Income	Interest Expense
USD '000	USD '000
137	190

30 June 2011

Associated Companies

Interest Income	Interest Expense
USD '000	USD '000
58	121

Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 24.2 million for the six-month period ended on June 30, 2012.

## 29. LEGAL CASES

- a. Lawsuits have been filed against Arab Bank Plc in which it was alleged that Arab Bank has, through its New York branch, channeled funds to parties described as "terrorists" and "terrorist organizations in Palestine", and has aided and abetted acts of terrorism which led to the death or the injury of family members of the claimants. The claimants in the said lawsuits are requesting compensation for the damages that have befallen them as a result of the alleged acts of the Bank. The lawsuits are currently in the pre-litigation phase and the appellate court is considering appeals submitted by the adversaries in the lawsuits in connection with procedural rulings.

Arab Bank, in the opinion of its management, has been and is still fully respectful of and compliant with all anti-terrorism legislation in all countries in which it operates.

In the year 2005, the Bank in New York has entered into an agreement with the Office of the controller of Currency pursuant to which the branch was converted into a Federal Agency with limited operations in compliance with the provisions of the US Federal Banking Act. It was also agreed that the Federal Agency shall be allowed to maintain financial assets in the amount of USD 420 million.

- b. There are other lawsuits filed against the Bank totaling USD 77.9 million as of June 30, 2012 (USD 209.7 million as of December 31, 2011). In the opinion of the management and the lawyers representing the Bank in the litigation at issue, the Bank will not be held liable for any amount in excess of the amount of provisions taken in connection with the lawsuits totaling USD 8.3 million as of June 30, 2012 ( USD 7.9 million as of December 31, 2011).